

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL MEMORANDUM

HB 1366 - SB 1502

March 24, 2019

SUMMARY OF ORIGINAL BILL: Clarifies that the time period in which insurance premiums deducted from the salaries of participating county employees and officials are to be deposited to the county insurance fund within three calendar days, rather than three days.

FISCAL IMPACT OF ORIGINAL BILL:

NOT SIGNIFICANT

IMPACT TO COMMERCE OF ORIGINAL BILL:

NOT SIGNIFICANT

SUMMARY OF AMENDMENT (005922): Deletes all language after the enacting clause. Requires the State Insurance Committee, beginning in the 2020 plan year, to contract with an entity that provides each enrollee with online information on the cost and quality of healthcare services and providers, allows an enrollee to shop for healthcare services and providers in accordance with the plan, and rewards an enrollee by sharing savings generated by the enrollees' choice of healthcare services or providers. Requires the basic health plan, beginning in the 2020 plan year, to establish an alternate allowable charges schedule that allows an enrollee to utilize the services of any licensed medical provider in the United States without being penalized with out-of-network cost sharing charges except as provided in the alternate allowable charges schedule.

FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENT:

Increase State Expenditures - \$374,400

Increase Federal Expenditures - \$3,300

Other Fiscal Impact – Due to unknown factors, such as the impact of out of network cost sharing, what provider reimbursement rates will be, the impact of the alternate allowable charges schedule, and any savings; an exact fiscal impact to the Benefits Administration Plans cannot be determined. However, any increase in expenditures would be mandatory for local governments.*

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Assumptions for the bill as amended:

- This legislation shall take effect upon becoming law for purposes of promulgating rules, and shall apply to plans pursuant to Tenn. Code Ann. § 8-27-202(a)(1) beginning with 2020 year plans.
- The Division of Benefits Administration's (Benefits Administration) existing benefits consultant contract is in compliance with subsection (d) of the proposed legislation; however, the requirement to procure a shared savings program vendor will have an impact on the plan.
- Benefits Administration's existing benefits consultant provides consulting services to another state with a shared savings program. Based on their data, the consultant estimates that the shared savings program would cost the State Insurance Committee \$900,000 each year to administer the program through a vendor. Fiscal Review staff cannot verify the validity of this estimate.
- It is estimated that 52 percent of members are on the State Employee Plan, 39 percent are on the Local Education Plan and 9 percent are on the Local Government Plan.
- According to Benefits Administration, the state contributes 80 percent of member premiums resulting in a recurring increase in state expenditures of \$374,400 ($\$900,000 \times 52.0\% \times 80.0\%$).
- The state contributes 45 percent of instructional member premiums (75 percent of Local Education Plan members) and 30 percent of support staff member premiums (25 percent of Local Education Plan members), however, this cost would only apply to the State Insurance Committee.
- According to Benefits Administration, some state plan members' insurance premiums are funded through federal dollars. It is estimated 0.89 percent of the state share of the state plan is funded with federal dollars, resulting in an increase in federal expenditures estimated to be \$3,332 ($\$374,400 \times 0.89\%$).
- There will be no impact to the Local Government Plan for administrative costs to the vendor.
- Due to unknown factors, such as the impact of out of network cost sharing, what provider reimbursement rates will be, the impact of the alternate allowable charges schedule, and any savings; an exact fiscal impact to the Benefits Administration plans cannot be reasonably determined.
- The Department of Commerce and Insurance can accommodate the proposed legislation within existing resources without an increased appropriation or reduced reversion.

IMPACT TO COMMERCE WITH PROPOSED AMENDMENT:

Other Commerce Impact – Due to several unknown factors, an exact impact to commerce cannot be determined; however, any impact to jobs in Tennessee is estimated to be not significant.

Assumptions for the bill as amended:

- Due to multiple unknown factors, such as the impact of out of network cost sharing, what provider reimbursement rates will be, the impact of the alternate allowable charges schedule, and any savings, an exact impact to commerce and jobs cannot be determined with reasonable certainty.
- The proposed legislation will not result in additional services; therefore, any impact on jobs in Tennessee is estimated to be not significant.

**Article II, Section 24 of the Tennessee Constitution provides that: no law of general application shall impose increased expenditure requirements on cities or counties unless the General Assembly shall provide that the state share in the cost.*

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink that reads "Krista Lee Carsner". The signature is written in a cursive, flowing style.

Krista Lee Carsner, Executive Director

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